

KILEMBE COPPER COBALT LTD.

Remarks by

Mr. G. T. N. WOODROOFFE
PRESIDENT

to

**17th Annual Meeting of Shareholders
King Edward Sheraton Hotel, Toronto
April 7, 1971**

Ladies and Gentlemen:

It is a pleasure for me to welcome you to this 17th Annual Meeting of the Company. Your directors and officers appreciate the interest shareholders have shown in the affairs of the Company by being present here today or by forwarding proxies for the meeting.

There have been no further developments in our negotiations with the Uganda Government and the situation remains as described in the Annual Report. Once the new Government has become fully established we are hopeful that a satisfactory settlement may be arranged.

As was explained in the Annual Report, in view of the deemed acquisition by the Uganda Government of additional shares of Kilembe Mines Limited, your Company's interest in that company was reduced from 70% to 31%. Consequently, the 1971 financial statements of your Company are drawn up on a non-consolidated basis and the statement of earnings reflects only that portion of the earnings of the operating company represented by dividends actually received during the year.

Blister copper production of Kilembe Mines Limited again increased in 1970 to 16,958 metric tons, the highest production since 1965. However, the average price received during the year for copper declined from 73¢ per pound in 1969 to 66¢ per pound in 1970. Consequently earnings of Kilembe Mines for the year expressed in Canadian dollars decreased by \$1,969,896 to \$3,862,309.

The operating Company's expenditures in Uganda in 1970 for wages, equipment, supplies, services and taxes, which amounted to \$14,400,000, were of material significance to the economy of the country.

You will have noted the substantial increase in proved and probable ore reserves from 5,452,000 metric tons averaging 1.93% copper to 6,544,000 metric tons averaging 2.00% copper at the end of 1970, after production of 1,003,000 metric tons of ore for the mill and smelter. A part of this increase occurred in the Eastern and Stream ore deposits but the major portion was in the Bukangama deposit. Development work there has also indicated further possibilities for additional ore in this area.

At the Buhunga Area the existence of a considerable tonnage of possible ore was indicated but substantial further development work will be required before the full significance of this can be established.

At Namhuga the ore structure is more complex and although some ore has been proved further work is required to establish the full extent of it.

During the year the average number of employees at Kilembe was approximately 5,000 of whom 4,800 were Africans and a little over 100 were citizens of non-African countries, the balance being East African citizens of foreign origin. It is interesting to note that out of a total of 540 supervisory posts, 370 were held by Africans.

Expenditures on buildings, plant and equipment during 1970 amounted to approximately \$1,500,000. About one-third of this total was spent on housing and amenities, practically all of which consisted of housing and facilities for African personnel.

While the figures for the first quarter's financial results are not yet available, preliminary production figures indicate a drop in production of blister copper to 3,581 metric tons from 4,100 metric tons in the first quarter

of 1970. This lower production resulted from a combination of events including shortage of experienced personnel, curtailment of production due to additional public holidays in January and February and mechanical difficulties at the smelter which have now been corrected.

Although the price of copper has strengthened in recent weeks to current levels of around 58¢ per pound, it is still well below the average price of 66¢ per pound which was received in 1970. This, of course, has a depressing effect on this year's earnings of Kilembe Mines compared to 1970.

In closing I would like to express on behalf of your directors, our appreciation to all personnel of Kilembe Copper and Kilembe Mines who contributed to the successful operations for the year.

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Other business of the meeting included the re-election of the Board of Directors, as follows:

Messrs. James Holmes

E. L. Healy

G. P. Mitchell

J. R. Smith

G. T. N. Woodrooffe